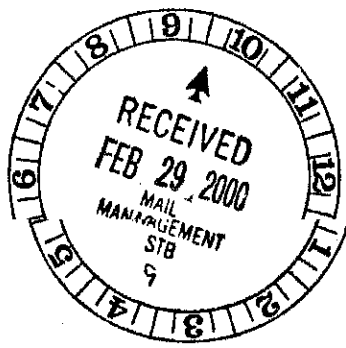


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Testimony Of
Trisha A. Bennett
Manager, Government Relations
Shearer Lumber Products
Before The
Surface Transportation Board
Regarding Further Major Rail Consolidations
(STB Ex Parte No. 582)
March 9, 2000

Madam Chairman and Board, my name is Trisha Bennett. I am here to speak on behalf Shearer Lumber Products and Bennett Lumber Products. My family has been in the lumber manufacturing business for more than 50 years. We have three mills, two located in northern Idaho, and one situated in eastern Washington State. These mills employ over 500 people and our companies are an integral part of the economy of the three communities where they are located. During our many years of operation, we have been fully or nearly captive to rail service for transporting our products to market. We ship about 2,000 carloads of lumber annually, using Burlington Northern Santa Fe Railroad from one of the mills, and primarily Union Pacific Railroad from the other two.

Today we wish to express our strong opposition to the proposed Burlington Northern Santa Fe and Canadian National railway merger. There can be no doubt such a merger would be contrary to the public interest. We also know based on past experience, it will spell disaster for our company. As we see it, consolidation on such a large level would show total disregard for those injured by it, and in the process strengthen what has become a railroad oligopoly. Accordingly, we want to thank the Surface Transportation Board for scheduling this hearing. We heartily urge careful examination of the Burlington Northern Santa Fe-Canadian National proposed control application and firmly believe the best decision regarding further railroad mergers at this time is a denial. Our reasons for this are as follows.

Speaking to the "big picture," I would like to make two critically interrelated points. First, it is absolutely not in the public interest to do so and second, this merger's timing is extremely poor.

Let's look at past history. What has been accomplished in the mergers of recent years? The answer is absolute chaos. During the last mergers, we were told that no disruption in service would occur and only increased efficiency would result. Putting this statement in the best light, it was wrong; in the worst it was a blatant attempt to mislead the public in order to get the merger done. The greater efficiency and reliability that was promised to shippers through railroad consolidation has never materialized. Nor have we ever returned to pre-merger service levels. If anything, the result of less competition has frequently been substandard service.

Our own company's experience during the Union Pacific-Southern Pacific merger paints a frightful picture of what can occur if this merger is allowed to proceed. In previous years we had a good relationship with the Union Pacific. However, working out the details after the last merger left them at a loss for quite a long time. Some weeks we would get 2 cars when we asked for 10, and some weeks we would get 9 cars when we needed 2. Loaded cars were sent off only to be lost, often for more than a month, when a customer had been promised a one-week delivery. There was a situation in which one mill owner we know of got a car full of empty bottles destined for a soft drink facility instead of the empty car it needed. This may seem humorous, but this sort of mistake costs consumers and us money. We were left with our lumber inventory piling up and just storing lumber costs somewhere around 2% per month to protect it against weather

and other degradation. In a short time, we were forced to face decisions regarding cutting work shifts, creating even more problems.

In frustration my father and I came to Washington, D.C. to plead with the former Vice Chairman of the Surface Transportation Board, Gus Owen. He was very sympathetic, but told us there was nothing he could do. He said the railroad was in a terrible state of disorganization because of trying to cope with labor difficulties resulting from the merger. That had not been resolved because of the great difference in the organizational structures of the two merged railroads. We lost a lot of our market share and I can tell you, building a customer base back up again doesn't just happen over night. You have to earn it with reliable service. In the end, we were forced to resort to trucking lumber, an inefficient solution that cost us up to 25 percent of our production costs and our customers and the U.S. economy even more.

Secondly, I would like to discuss timing. Another large railroad merger at this time is entirely too soon. Please, let the big animal digest its last meal before it stuffs in another huge bite. Speaking as a long time shipper, I believe the shipper community deserves and has earned a period of stability in the rail industry. Let the railroads concentrate on completing the integrations and delivering all the benefits we expected from the prior mergers. Prematurely launching one more major change is simply asking too much of us. Despite what they say, it's hard on the railroad companies themselves as they struggle to merge management and navigate a new landscape. It is hard on shippers like our company, as we lose money and customers because of disrupted and unreliable service. And it is hard on the American public whether they are a family like us, whose business suffers and possibly liquidates, or a family who works in a grocery, lumber mill, or some other business and depends on rail service. Let the rest of us try to regain some of our losses, and get past the terrible, crippling disruptions of the last five years of mergers. We can only absorb so much financial loss at a time. There have been too many mergers in too short a time frame to have the slightest hope of a smooth transition.

It has taken us a long time to just get back on our feet after this last merger and I want you to understand that we still haven't fully worked out all the problems. Recently, the Burlington Northern Santa Fe in the continuing adjustments to how they are going to do business after their merger announced that in the future they will require lumber companies to bid on railroad cars 30 days in advance. This is a method that may work for grain shippers, but does not take into account the very different needs and different circumstances governing the wood manufacturing business. We are now facing a time problem. It will take time to convince the Burlington Northern Santa Fe managers there IS a problem, why there is a problem and how it might be fixed. We are trying to run a business and we don't have that kind of time—we have used it all up. It costs everybody and us money.

Finally, I would like to touch on one last point in terms of both public interest and timing. This is the effect a merger between the Burlington Northern Santa Fe and Canadian National railway might have on the trade relationship between Canada and the United States as we sit on the final year of the U.S.-Canada Softwood Lumber

Agreement. As one who has been involved in the discussions that led to the Softwood Lumber Agreement, I think it is a fair assessment to say this would be walking into an international mine field. It is an extremely sensitive area, requiring a great deal of negotiation skill at minimum. From the standpoint of my own industry, you must realize that this kind of merger would constitute a major change in the flow of forest products.

Canada and the United States are fierce competitors in the world timber market. Prior to the Agreement, Canada had displaced nearly one third of U.S. market share in lumber with subsidized wood and there were many U.S. companies forced out of business as a result.

One contentious issue in the debate was and continues to be the extent of subsidy afforded Canadian forest product companies through reduced rail rates. I cannot begin to imagine the Surface Transportation Board signing off on such a merger without a thorough review of how it will affect the public interest, and how the combined entity would propose to deal with the previous differing rate schedules between the two countries. This is a problem with a potential for far more serious fallout than the problems that have overwhelmed shippers and the shipping community.

Recent experience involving much less complicated mergers has presented us with enormous troubles. A merger between the Canadian National and the Burlington Northern Santa Fe is a highly complex issue that can't be adequately addressed in a short time frame. Among other things I would be interested to hear even what regulatory body or bodies would have oversight on this kind of merged entity.

I am not suggesting a return to regulation. Yet, at a minimum a great deal more thought needs to be given to what the end goal is, it's shape, and how it will affect the shipping community in all its variations. Certainly the process needs to be better thought out to avoid some of the problems that have dogged mergers in recent years. In just a few years, the railways have gone through major consolidations that have left us in the northwest captive, locked into only two railroads. There has been no time to allow the new structure to shake out all the glitches or respond and adjust to changes and operational problems created by previous consolidations. The existing rail industry needs time to stabilize and improve its overall operations. This is obviously a multi-year process that will consume plenty of attention and resources. An even larger merger now with international implications could have disastrous results. Even without this proposed merger the railroad system in this country has become more exclusionary. The promises of better service for everybody that we heard last time were hollow. We simply can't afford to listen this time. It is not in our or the public interest.

Please, let's continue to work on fixing what we have, before we face shippers with another set of problems. My mother gave me a piece of very good advice that has served me well all my life. I would pass it on to you: "Slow down and look hard both ways before crossing this road."